

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 IO-10 ISO-00

AID-05 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-01 CEA-01 AGR-05 L-02 FEA-01 INT-05

TAR-01 PA-01 PRS-01 USIA-06 /130 W

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R 041951Z MAR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8911

INFO AMEMBASSY CANBERRA

AMEMBASSY LA PAZ

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

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AMEMBASSY TEGUCIGALPA

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AMEMBASSY YAOUNDE

AMEMBASSY BANGUI

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AMEMBASSY COTONOU

AMEMBASSY LIBREVILLE
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AMEMBASSY FREETOWN
AMEMBASSY DAR ES SALAAM
AMEMBASSY PORT OF SPAIN
AMEMBASSY CARACAS
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USMISSION GENEVA

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FOR O'DONNEL, EB/TRP

E.O. 11652: N/A

TAGS: OCON, ETRD, UK

SUBJ: COFFEE: WRAP-UP ON THIRD SERIES OF ICO/WG MEETINGS,
FEBRUARY 24-28, 1975

REF: LONDON 1862

1. SUMMARY: THE THIRD SERIES OF MEETINGS OF THE INTERNATIONAL COFFEE ORGANIZATION (ICO) WORKING GROUP ON NEGOTIATION OF A NEW COFFEE AGREEMENT (WG) WAS HELD IN LONDON, JANUARY 24-28. SUB-GROUPS ON PRICES, AND ON SUPPLY AND DEMAND ATTEMPTED TO EXPLORE IN MORE DETAIL AREAS OF AGREEMENT, BUT MADE LITTLE PROGRESS. MEETINGS WERE LESS WORKMANLIKE THAN PREVIOUS ONES, WITH NERVE ENDS CLOSE TO THE SURFACE. NEXT SERIES SCHEDULED FOR MARCH 17-22, FOLLOWED BY A FIFTH SERIES, APRIL 14-25.

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MAJOR DEVELOPMENTS IN THIS SERIES WERE: (A) LINES WERE CLEARLY DRAWN BETWEEN CONSUMERS AND PRODUCERS ON ACCESS TO SUPPLIES ISSUE, AND (B) IT WAS CLEAR THAT PRODUCERS NOT YET READY TO STEP UP PACE OF TALKS. END SUMMARY.

2. WORK PROCEEDED IN WHAT HAS BECOME THE NORM, WITH THE WG (ESSENTIALLY THE ICO EXECUTIVE BOARD) FIRST MEETING TO HANDLE PROCEDURAL MATTERS, FOLLOWED BY MEETINGS OF

THE TWO SUB-GROUPS ON PRICES AND ON SUPPLY/DEMAND (SAME MEMBERSHIP PLUS COSTA RICA AND PORTUGAL FOR THE PRODUCERS AND THE NETHERLANDS AND SWEDEN FOR THE CONSUMERS) FOR SUBSTANTIVE MATTERS.

3. HIGHLIGHTS WERE:

(A) SUPPLY/DEMAND. IN EARLIER SESSION CONSENSUS WAS THAT FOR NEXT SEVERAL YEARS SITUATION WOULD BE ROUGHLY IN BALANCE, WITH MORE OF A TENDENCY TOWARD OVER THAN UNDER PRODUCTION. THIS ASSESSMENT REMAINED UNCHANGED, BUT CONSUMERS EMPHASIZED ANOMALIES--E.G., BRAZIL FROSTS AND POLITICAL UNREST--WHICH COULD MAKE FOR A TEMPORARILY TIGHT MARKET.

(B) ACCESS AND STOCK POLICY. CONSUMER CONCERN NOTED ABOVE LED TO FOCUS ON STOCK POLICY FOR PROVIDING ASSURANCE OF SUPPLY DURING TIGHT PERIODS. FRANCE (GALLOT AND HERRMANN) PUSHED HARD FOR ITS PROPOSAL FOR A SYSTEM COMBINING NATIONAL RESERVES AND INTERNATIONALLY CONTROLLED STOCKS (LONDON 1222) BOTH IN WG SESSIONS AND IN CONSUMER CAUCUSES, BUT SEEMED TO GAIN NO FIRM COMMITMENTS FROM CONSUMERS AND ONLY DISTRUST FROM PRODUCERS. WHILE NO PROGRESS MADE ON TYPE OF STOCK MECHANISM--IF ANY--LIKELY TO EMERGE, ISSUE WAS PLACED IN SHARP FOCUS, PARTICULARLY BY BRAZIL (RAFFAELLI) AND CANADA (MUSGROVE). CONSUMERS SAID NEW ICA MUST PROVIDE SOME ASSURANCE THAT PRODUCERS WILL NOT RIG MARKET BY HOLDBACKS DURING TIGHT SUPPLY. PRODUCERS MAINTAINED THAT TO GIVE CONSUMERS ANY CONTROL WHATSOEVER OF STOCKS WOULD PROVIDE LATTER WITH UNACCEPTABLE LEVERAGE IN QUOTA AND PRICE RANGE NEGOTIATIONS UNDER FUTURE ICA. NO

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PROGRESS WAS MADE TOWARD FINDING ACCEPTABLE TRADEOFF.
(C) PRICES. EARLY IN MEETING OF SUB-GROUP ON PRICES,
US STATED IT WOULD BE WILLING TO EXAMINE POSSIBILITY OF
SOME MINIMUM PRICE FORMULATION ALONG LINES OF THAT IN
PARA. 2 OF ARTICLE 27 OF 1968 ICA, WITH POSSIBILITY FOR
SUBSEQUENT UPDATING IN LIGHT OF WORLD ECONOMIC AND
MARKET CONDITIONS. THIS RECEIVED WITH CONSIDERABLE
INTEREST; DESPITE FACT THAT FORMULATION WAS LESS
SPECIFIC AND CERTAINLY AT LEAST AS CAUTIOUS AS EARLIER
STATEMENTS BY OTHER CONSUMERS. SUB-GROUP, HOWEVER, WAS
NEVER ABLE TO GET PAST GENERALITIES. DURING ONE LATE
EVENING SESSION, BELGIUM (SURQUIN) UNHAPPILY OPENED UP
QUESTION OF "INDEXATION" BUT DOOR WAS FIRMLY CLOSED
AGAIN BY CANADIAN, UK AND US STATEMENTS.

3. ASSESSMENT. THIS WAS A MARK-TIME SESSION, MORE
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NOTABLE FOR FRUSTRATION, IRRITABILITY AND, EVEN,
INANITY THAN FOR PROGRESS. STILL, THERE WAS NEVER
ANY QUESTION OF BREAKING OFF THE DISCUSSION. WHILE
LITTLE HEADWAY WAS MADE ON SUBSTANCE, THE NEGOTIATING
PROCESS ITSELF MAY HAVE BEEN ADVANCED CONSIDERABLY JUST
BY DEFINING ISSUES MORE SHARPLY.

4. MEETING CLEARLY ILLUSTRATED THAT PRODUCERS NOT YET
WILLING--FOR WHATEVER REASON--TO STEP UP PACE OF NEGOTIA-
TIONS. THIS WAS INADVERTENTLY FLUSHED OUT IN OPEN BY
CONSUMERS WITH A SUGGESTION THAT THE SECRETARIAT BE IN-
STRUCTED TO PREPARE ALTERNATE FORMULATIONS FOR KEY AR-
TICLES FOR A NEW ICA BASED ON IDEAS SO FAR PRESENTED
AND DISCUSSED. BRAZILIAN AND PORTUGUESE (MEDINA)
REACTION WAS STRONGLY NEGATIVE, BUT OAMCAF (N'DIA)
AFTER FIRST OPPOSING SUGGESTION, BEGAN TO SWING OVER
AND COSTA RICA (ESCALANTE) COMPLETELY BROKE RANKS WITH
PRODUCER GROUP TO SUPPORT IDEA. COMPROMISE WAS THAT
SECRETARIAT NOT BE INSTRUCTED TO PREPARE SUCH A PAPER FOR
MARCH SESSION, BUT FOR SESSION FOLLOWING THAT (I.E.,
APRIL).

5. MOTIVATION OF PRODUCERS IN OPPOSING WHAT AT MOST
WAS A SUGGESTION FOR A MORE ORGANIZED WORK PROCEDURE

APPEARS COMPLEX. BRAZIL'S MOTIVATION IN PART MIGHT HAVE BEEN TO ASSURE A SORT OF STANDSTILL UNTIL AFTER THE FORTHCOMING VISIT OF BRAZILIAN COFFEE INSTITUTE PRESIDENT CALAZANS TO WASHINGTON LATER THIS MONTH. BUT, IN FACT, THERE WAS NO REAL REASON WHY RAFFAELLI SHOULD HAVE LINKED THESE TWO THINGS. SMORE LIKELY EXPLANATION FOR BRAZIL AND PRODUCERS AS A GROUP WAS (A) CONTINUED LACK OF PRODUCER CONSENSUS RE BEST NEGOTIATING STANCE IN FACE OF PRESENT, DECLINING MARKET CONDITIONS, (B) DISTRUST OF CONSUMERS' MOTIVES IN MAKING THE SUGGESTIONS (ROUGH "NOTES" FROM THE CONSUMER CAUCUS ON TYPE OF PAPER SUGGESTED WERE READ TO PLENARY), AND (C) DELEGATE FATIGUE--THE WG DELIBERATIONS APPEAR TO HAVE REACHED THAT PSYCHOLOGICAL NADIR WHICH SEEMS TO BE NORMAL IN PROTRACTED DELIBERATIONS.

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Message Attributes

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